

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

FRANKLIN COUNTY COMMUNITY  
SCHOOL CORPORATION  
FRANKLIN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/12/2016



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i> .....	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis .....	11
Notes to Financial Statement .....	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis .....	20-29
Schedule of Payables and Receivables .....	30
Schedule of Leases and Debt .....	31
Schedule of Capital Assets .....	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	36-37
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	41
Notes to Schedule of Expenditures of Federal Awards .....	42
Schedule of Findings and Questioned Costs .....	43-50
Auditee Prepared Document:	
Corrective Action Plan .....	52-57
Other Reports .....	58

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Pohlman	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Debbie Howell	07-01-12 to 06-30-16
President of the School Board	Robert Jewell Sara Duffy Kim Simonson	07-01-12 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE FRANKLIN COUNTY COMMUNITY  
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Franklin County Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

February 23, 2016



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE FRANKLIN COUNTY COMMUNITY  
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Franklin County Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 23, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002.

**Franklin County Community School Corporation's Response to Findings**

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 23, 2016

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 5,489,333	\$ 17,045,023	\$ 16,118,259	\$ -	\$ 6,416,097	\$ 17,452,224	\$ 16,740,829	\$ -	\$ 7,127,492
Debt Service	864,117	2,642,183	2,800,103	-	706,197	2,254,809	2,239,786	-	721,220
Capital Projects	6,190,289	2,341,375	3,250,030	-	5,281,634	2,303,124	2,773,665	36,972	4,848,065
School Transportation	2,090,203	2,660,129	3,042,615	81,332	1,789,049	2,836,472	3,034,770	5,122	1,595,873
School Bus Replacement	329,805	167,669	178,820	637	319,291	172,813	174,544	637	318,197
School Lunch	106,559	1,094,755	1,106,737	-	94,577	1,080,938	1,100,972	-	74,543
Textbook Rental	145,394	278,745	103,118	-	321,021	399,215	366,085	-	354,151
Educational License Plates	16,238	300	-	-	16,538	281	-	-	16,819
Alternative Education	-	3,967	3,967	-	-	4,050	-	-	4,050
11/12 Early Intervention Grant	22,321	-	22,321	-	-	-	-	-	-
2014 Early Intervention Grant	-	-	-	-	-	-	24,110	-	(24,110)
Early Intervention / Reading Recovery	5,878	-	5,384	-	494	-	494	-	-
Donation from MTC APPLES	-	-	-	-	-	50	-	-	50
Donation from Alco Stores	-	-	-	-	-	474	-	-	474
11/12 High Ability Grant	11,196	-	11,196	-	-	-	-	-	-
12/13 High Ability Grant	-	35,932	11,292	-	24,640	-	24,640	-	-
13/14 High Ability Grant	-	-	-	-	-	36,775	36,775	-	-
Tech Advancement C S Fund Loan	-	-	-	-	-	28,320	30,000	-	(1,680)
Distance Learning	14,435	-	977	-	13,458	-	284	-	13,174
Medicaid Reimbursement	7,102	-	6,628	-	474	-	538	-	(64)
Secured Schools Safety Grant	-	-	-	-	-	-	11,307	-	(11,307)
Non-English Speaking Programs P.L. 273-1999	87	-	-	-	87	-	-	-	87
Connect 2000	4,082	5,013	13,845	-	(4,750)	5,009	(1,096)	-	1,355
ECO15-FCHS Biomed	29,713	-	71	-	29,642	-	-	-	29,642
ECO15 Dream It Do It Grant	-	1,000	595	-	405	-	-	-	405
ISTA Settlement (2013)	-	-	-	-	-	651,899	-	-	651,899
Excess PTRC Distributions	54,916	27,053	-	(81,969)	-	-	-	-	-
12/13 Title I School Improvement LES	-	91,459	155,184	-	(63,725)	70,057	6,332	-	-
12/13 Title I	-	256,193	417,619	-	(161,426)	160,068	(1,358)	-	-
13/14 Title I	-	-	-	-	-	322,132	385,268	-	(63,136)
11/12 Title I	41,350	6,782	48,172	-	(40)	-	(40)	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	70,000	70,000	-	-	-	-	-	-
Medicaid Reimbursement - Federal	33,105	1,208	3,682	-	30,631	63	5,266	-	25,428
Pre-Paid Lunch	-	-	-	-	-	408,491	407,108	-	1,384
Payroll	67,205	3,976,378	3,935,984	-	107,600	4,132,134	4,142,479	-	97,255
11/13 Title II Part A Grant	(18,425)	56,223	48,429	-	(10,631)	13,353	2,722	-	-
12/14 Title II Part A Grant	-	18,823	49,408	-	(30,585)	89,403	59,068	-	(250)
13/15 Title II Part A Grant	-	-	-	-	-	48,245	59,207	-	(10,962)
Title I - Grants to LEAs	(400)	-	(400)	-	-	-	-	-	-
IDEA Part B Preschool	-	-	-	-	-	82,563	82,745	-	(182)
QZAB FCHS Improvements and Renovations	444,347	-	429,859	-	14,488	-	3,318	-	11,170
Education Jobs Fund Stimulus	(39,438)	116,665	77,227	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 15,909,412</b>	<b>\$ 30,896,875</b>	<b>\$ 31,911,122</b>	<b>\$ -</b>	<b>\$ 14,895,166</b>	<b>\$ 32,552,963</b>	<b>\$ 31,709,817</b>	<b>\$ 42,731</b>	<b>\$ 15,781,042</b>

The notes to the financial statement are an integral part of this statement.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, and other similar fees.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax



FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

*Additional Pension Plans*

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Negative Disbursements**

The financial statement contains some disbursements which appear as negative entries. This is a result of reclassifications to correct the fund from which the original expenditures were paid. Since the original entry and the corrections were made in separate periods, a negative disbursement was shown in the current year.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The cash balance deficit for the following funds are the result of the funds being set up for reimbursable grants: 2014 Early Intervention Grant, Secured Schools Safety Grant, 13/14 Title I, 12/14 Title II Part A Grant, IDEA Part B Preschool, and 13/15 Title II Part A Grant. The reimbursement of expenditures made by the School Corporation was not received by June 30, 2014. The Medicaid Reimbursement and Tech Advancement C S Fund Loan funds were established to pay expenditures for which reimbursement is expected; however reimbursement of expenditures made by the School Corporation was not received by June 30, 2014.

**Note 9. Holding Corporations**

The School Corporation has entered into capital leases with Franklin County High School Building Corporation (the lessor), Franklin County Middle School Building Corporation (lessor), and Franklin County Community School Building Corporation (lessor). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2013, and June 30, 2014, totaled \$2,002,000 and \$1,289,000, respectively.

**Note 10. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits: Individual VEBA, Social Security Bridge Plan, and Paid Accumulated Leave. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

**Note 11. Subsequent Events**

On December 30, 2015, the Franklin County Middle School Building Corporation (the lessor) sold bonds in the amount of \$5,225,000 for the purpose of financing athletic field lights and athletic field updates within the School Corporation. The School Corporation will repay the debt with semi-annual lease payments to the lessor.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	School Lunch	Textbook Rental	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 5,489,333	\$ 864,117	\$ 6,190,289	\$ 2,090,203	\$ 329,805	\$ 106,559	\$ 145,394	\$ 16,238	\$ -
Receipts:									
Local sources	116,387	2,416,357	2,126,547	2,641,831	167,669	461,436	-	-	-
Intermediate sources	81	-	-	-	-	-	-	300	-
State sources	16,843,699	-	-	-	-	9,748	278,745	-	3,967
Federal sources	-	-	-	-	-	595,498	-	-	-
Interfund loans	-	207,357	207,357	-	-	-	-	-	-
Other	84,856	18,469	7,471	18,298	-	28,073	-	-	-
Total receipts	<u>17,045,023</u>	<u>2,642,183</u>	<u>2,341,375</u>	<u>2,660,129</u>	<u>167,669</u>	<u>1,094,755</u>	<u>278,745</u>	<u>300</u>	<u>3,967</u>
Disbursements:									
Current:									
Instruction	12,175,503	-	-	-	-	-	-	-	-
Support services	3,694,509	-	1,304,956	3,042,615	178,820	-	103,118	-	3,967
Noninstructional services	248,247	-	-	-	-	1,106,737	-	-	-
Facilities acquisition and construction	-	-	1,737,717	-	-	-	-	-	-
Debt services	-	2,592,746	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	207,357	207,357	-	-	-	-	-	-
Total disbursements	<u>16,118,259</u>	<u>2,800,103</u>	<u>3,250,030</u>	<u>3,042,615</u>	<u>178,820</u>	<u>1,106,737</u>	<u>103,118</u>	<u>-</u>	<u>3,967</u>
Excess (deficiency) of receipts over disbursements	<u>926,764</u>	<u>(157,920)</u>	<u>(908,655)</u>	<u>(382,486)</u>	<u>(11,151)</u>	<u>(11,982)</u>	<u>175,627</u>	<u>300</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	81,332	637	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,332</u>	<u>637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>926,764</u>	<u>(157,920)</u>	<u>(908,655)</u>	<u>(301,154)</u>	<u>(10,514)</u>	<u>(11,982)</u>	<u>175,627</u>	<u>300</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,416,097</u>	<u>\$ 706,197</u>	<u>\$ 5,281,634</u>	<u>\$ 1,789,049</u>	<u>\$ 319,291</u>	<u>\$ 94,577</u>	<u>\$ 321,021</u>	<u>\$ 16,538</u>	<u>\$ -</u>

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	11/12 Early Intervention Grant	2014 Early Intervention Grant	Early Intervention/ Reading Recovery	Donation From MTC APPLES	Donation From Alco Stores	11/12 High Ability Grant	12/13 High Ability Grant	13/14 High Ability Grant	Tech Advancement C S Fund Loan
Cash and investments - beginning	\$ 22,321	\$ -	\$ 5,878	\$ -	\$ -	\$ 11,196	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	35,932	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	35,932	-	-
Disbursements:									
Current:									
Instruction	16,382	-	5,384	-	-	10,689	11,292	-	-
Support services	5,939	-	-	-	-	507	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	22,321	-	5,384	-	-	11,196	11,292	-	-
Excess (deficiency) of receipts over disbursements	(22,321)	-	(5,384)	-	-	(11,196)	24,640	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,321)	-	(5,384)	-	-	(11,196)	24,640	-	-
Cash and investments - ending	\$ -	\$ -	\$ 494	\$ -	\$ -	\$ -	\$ 24,640	\$ -	\$ -

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Distance Learning	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	Connect 2000	ECO15-FCHS Biomed	ECO15 Dream It Do It Grant	ISTA Settlement(2013)	Excess PTRC Distributions
Cash and investments - beginning	\$ 14,435	\$ 7,102	\$ -	\$ 87	\$ 4,082	\$ 29,713	\$ -	\$ -	\$ 54,916
Receipts:									
Local sources	-	-	-	-	-	-	1,000	-	27,053
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	5,013	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	5,013	-	1,000	-	27,053
Disbursements:									
Current:									
Instruction	977	6,628	-	-	-	71	595	-	-
Support services	-	-	-	-	13,845	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	977	6,628	-	-	13,845	71	595	-	-
Excess (deficiency) of receipts over disbursements	(977)	(6,628)	-	-	(8,832)	(71)	405	-	27,053
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(81,969)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(81,969)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(977)	(6,628)	-	-	(8,832)	(71)	405	-	(54,916)
Cash and investments - ending	\$ 13,458	\$ 474	\$ -	\$ 87	\$ (4,750)	\$ 29,642	\$ 405	\$ -	\$ -



FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	12/13 Title I School Improvement LES	12/13 Title I	13/14 Title I	11/12 Title I	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Medicaid Reimbursement - Federal	Pre-Paid Lunch	Payroll
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 41,350	\$ -	\$ 33,105	\$ -	\$ 67,205
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	91,459	256,193	-	6,782	70,000	1,208	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	3,976,378
Total receipts	91,459	256,193	-	6,782	70,000	1,208	-	3,976,378
Disbursements:								
Current:								
Instruction	51,251	335,950	-	36,704	70,000	3,682	-	-
Support services	84,831	81,319	-	10,630	-	-	-	-
Noninstructional services	19,102	350	-	838	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	3,935,984
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	155,184	417,619	-	48,172	70,000	3,682	-	3,935,984
Excess (deficiency) of receipts over disbursements	(63,725)	(161,426)	-	(41,390)	-	(2,474)	-	40,395
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(63,725)	(161,426)	-	(41,390)	-	(2,474)	-	40,395
Cash and investments - ending	\$ (63,725)	\$ (161,426)	\$ -	\$ (40)	\$ -	\$ 30,631	\$ -	\$ 107,600

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	11/13 Title II Part A Grant	12/14 Title II Part A Grant	13/15 Title II Part A Grant	Title I - Grants to LEAs	IDEA Part B Preschool	QZAB FCHS Improvements and Renovations	Education Jobs Fund Stimulus	Totals
Cash and investments - beginning	\$ (18,425)	\$ -	\$ -	\$ (400)	\$ -	\$ 444,347	\$ (39,438)	\$ 15,909,412
Receipts:								
Local sources	-	-	-	-	-	-	-	7,958,280
Intermediate sources	-	-	-	-	-	-	-	381
State sources	-	-	-	-	-	-	-	17,177,104
Federal sources	56,223	18,823	-	-	-	-	116,665	1,212,851
Interfund loans	-	-	-	-	-	-	-	414,714
Other	-	-	-	-	-	-	-	4,133,545
Total receipts	56,223	18,823	-	-	-	-	116,665	30,896,875
Disbursements:								
Current:								
Instruction	48,429	49,408	-	-	-	-	77,227	12,900,172
Support services	-	-	-	(400)	-	-	-	8,524,656
Noninstructional services	-	-	-	-	-	-	-	1,375,274
Facilities acquisition and construction	-	-	-	-	-	429,859	-	2,167,576
Debt services	-	-	-	-	-	-	-	2,592,746
Nonprogrammed charges	-	-	-	-	-	-	-	3,935,984
Interfund loans	-	-	-	-	-	-	-	414,714
Total disbursements	48,429	49,408	-	(400)	-	429,859	77,227	31,911,122
Excess (deficiency) of receipts over disbursements	7,794	(30,585)	-	400	-	(429,859)	39,438	(1,014,246)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	81,969
Transfers out	-	-	-	-	-	-	-	(81,969)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,794	(30,585)	-	400	-	(429,859)	39,438	(1,014,246)
Cash and investments - ending	\$ (10,631)	\$ (30,585)	\$ -	\$ -	\$ -	\$ 14,488	\$ -	\$ 14,895,166

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	School Lunch	Textbook Rental	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 6,416,097	\$ 706,197	\$ 5,281,634	\$ 1,789,049	\$ 319,291	\$ 94,577	\$ 321,021	\$ 16,538	\$ -
Receipts:									
Local sources	107,388	2,236,340	2,294,496	2,817,426	172,813	434,051	-	-	-
Intermediate sources	178	-	-	-	-	-	-	281	-
State sources	16,644,981	-	-	-	-	9,636	399,215	-	4,050
Federal sources	-	-	-	-	-	617,135	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	699,677	18,469	8,628	19,046	-	20,116	-	-	-
Total receipts	17,452,224	2,254,809	2,303,124	2,836,472	172,813	1,080,938	399,215	281	4,050
Disbursements:									
Current:									
Instruction	11,982,941	-	-	-	-	-	-	-	-
Support services	4,499,577	-	1,458,942	3,034,770	174,544	-	366,085	-	-
Noninstructional services	258,311	-	-	-	-	1,100,972	-	-	-
Facilities acquisition and construction	-	-	1,314,723	-	-	-	-	-	-
Debt services	-	2,239,786	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	16,740,829	2,239,786	2,773,665	3,034,770	174,544	1,100,972	366,085	-	-
Excess (deficiency) of receipts over disbursements	711,395	15,023	(470,541)	(198,298)	(1,731)	(20,034)	33,130	281	4,050
Other financing sources (uses):									
Sale of capital assets	-	-	36,972	-	-	-	-	-	-
Transfers in	-	-	-	5,122	637	-	-	-	-
Total other financing sources (uses)	-	-	36,972	5,122	637	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	711,395	15,023	(433,569)	(193,176)	(1,094)	(20,034)	33,130	281	4,050
Cash and investments - ending	\$ 7,127,492	\$ 721,220	\$ 4,848,065	\$ 1,595,873	\$ 318,197	\$ 74,543	\$ 354,151	\$ 16,819	\$ 4,050

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	11/12 Early Intervention Grant	2014 Early Intervention Grant	Early Intervention/ Reading Recovery	Donation From MTC APPLES	Donation From Alco Stores	11/12 High Ability Grant	12/13 High Ability Grant	13/14 High Ability Grant	Tech Advancement C S Fund Loan
Cash and investments - beginning	\$ -	\$ -	\$ 494	\$ -	\$ -	\$ -	\$ 24,640	\$ -	\$ -
Receipts:									
Local sources	-	-	-	50	474	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	36,765	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	28,320
Other	-	-	-	-	-	-	-	10	-
Total receipts	-	-	-	50	474	-	-	36,775	28,320
Disbursements:									
Current:									
Instruction	-	24,110	494	-	-	-	19,984	36,775	-
Support services	-	-	-	-	-	-	4,656	-	30,000
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	24,110	494	-	-	-	24,640	36,775	30,000
Excess (deficiency) of receipts over disbursements	-	(24,110)	(494)	50	474	-	(24,640)	-	(1,680)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(24,110)	(494)	50	474	-	(24,640)	-	(1,680)
Cash and investments - ending	\$ -	\$ (24,110)	\$ -	\$ 50	\$ 474	\$ -	\$ -	\$ -	\$ (1,680)

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Distance Learning	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	Connect 2000	ECO15-FCHS Biomed	ECO15 Dream It Do It Grant	ISTA Settlement(2013)	Excess PTRC Distributions
Cash and investments - beginning	\$ 13,458	\$ 474	\$ -	\$ 87	\$ (4,750)	\$ 29,642	\$ 405	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	5,009	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	651,899	-
Total receipts	-	-	-	-	5,009	-	-	651,899	-
Disbursements:									
Current:									
Instruction	284	538	11,307	-	-	-	-	-	-
Support services	-	-	-	-	(1,096)	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	284	538	11,307	-	(1,096)	-	-	-	-
Excess (deficiency) of receipts over disbursements	(284)	(538)	(11,307)	-	6,105	-	-	651,899	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(284)	(538)	(11,307)	-	6,105	-	-	651,899	-
Cash and investments - ending	\$ 13,174	\$ (64)	\$ (11,307)	\$ 87	\$ 1,355	\$ 29,642	\$ 405	\$ 651,899	\$ -

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	12/13 Title I School Improvement LES	12/13 Title I	13/14 Title I	11/12 Title I	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Medicaid Reimbursement - Federal	Pre-Paid Lunch	Payroll
Cash and investments - beginning	\$ (63,725)	\$ (161,426)	\$ -	\$ (40)	\$ -	\$ 30,631	\$ -	\$ 107,600
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	70,057	160,068	322,132	-	-	63	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	408,491	4,132,134
Total receipts	<u>70,057</u>	<u>160,068</u>	<u>322,132</u>	<u>-</u>	<u>-</u>	<u>63</u>	<u>408,491</u>	<u>4,132,134</u>
Disbursements:								
Current:								
Instruction	733	-	227,783	(2)	-	5,266	-	-
Support services	5,000	(1,358)	157,485	(38)	-	-	-	-
Noninstructional services	599	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	407,108	4,142,479
Total disbursements	<u>6,332</u>	<u>(1,358)</u>	<u>385,268</u>	<u>(40)</u>	<u>-</u>	<u>5,266</u>	<u>407,108</u>	<u>4,142,479</u>
Excess (deficiency) of receipts over disbursements	<u>63,725</u>	<u>161,426</u>	<u>(63,136)</u>	<u>40</u>	<u>-</u>	<u>(5,203)</u>	<u>1,384</u>	<u>(10,344)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>63,725</u>	<u>161,426</u>	<u>(63,136)</u>	<u>40</u>	<u>-</u>	<u>(5,203)</u>	<u>1,384</u>	<u>(10,344)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,136)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,428</u>	<u>\$ 1,384</u>	<u>\$ 97,255</u>

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	11/13 Title II Part A Grant	12/14 Title II Part A Grant	13/15 Title II Part A Grant	Title I - Grants to LEAs	IDEA Part B Preschool	QZAB FCHS Improvements and Renovations	Education Jobs Fund Stimulus	Totals
Cash and investments - beginning	\$ (10,631)	\$ (30,585)	\$ -	\$ -	\$ -	\$ 14,488	\$ -	\$ 14,895,166
Receipts:								
Local sources	3,000	-	-	-	-	-	-	8,066,038
Intermediate sources	-	-	-	-	-	-	-	459
State sources	-	-	-	-	-	-	-	17,099,656
Federal sources	10,353	89,403	48,245	-	82,563	-	-	1,400,019
Temporary loans	-	-	-	-	-	-	-	28,320
Other	-	-	-	-	-	-	-	5,958,471
Total receipts	<u>13,353</u>	<u>89,403</u>	<u>48,245</u>	<u>-</u>	<u>82,563</u>	<u>-</u>	<u>-</u>	<u>32,552,963</u>
Disbursements:								
Current:								
Instruction	2,722	59,068	56,083	-	82,745	-	-	12,510,831
Support services	-	-	3,124	-	-	-	-	9,731,691
Noninstructional services	-	-	-	-	-	-	-	1,359,882
Facilities acquisition and construction	-	-	-	-	-	3,318	-	1,318,041
Debt services	-	-	-	-	-	-	-	2,239,786
Nonprogrammed charges	-	-	-	-	-	-	-	4,549,586
Total disbursements	<u>2,722</u>	<u>59,068</u>	<u>59,207</u>	<u>-</u>	<u>82,745</u>	<u>3,318</u>	<u>-</u>	<u>31,709,817</u>
Excess (deficiency) of receipts over disbursements	<u>10,631</u>	<u>30,335</u>	<u>(10,962)</u>	<u>-</u>	<u>(182)</u>	<u>(3,318)</u>	<u>-</u>	<u>843,146</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	36,972
Transfers in	-	-	-	-	-	-	-	5,759
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,731</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>10,631</u>	<u>30,335</u>	<u>(10,962)</u>	<u>-</u>	<u>(182)</u>	<u>(3,318)</u>	<u>-</u>	<u>885,877</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ (10,962)</u>	<u>\$ -</u>	<u>\$ (182)</u>	<u>\$ 11,170</u>	<u>\$ -</u>	<u>\$ 15,781,042</u>

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 161,300</u>	<u>\$ 112,629</u>



FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Franklin County Middle School Building Corporation	Refunded 2001 Franklin County Middle School Building Corporation First Mortgage Bonds Series 2001	\$ 858,000	1/1/2006	1/1/2021
Lenova Financial Services	ChromeBooks for FCHS incoming 9th and 10th grades	53,904	7/1/2013	7/1/2016
Lenova Financial Services	Chromebooks for FCHS incoming 9th grade	63,528	6/16/2014	6/16/2017
Franklin County Community School Building Corporation	Refunded 2012 Franklin County Community School Building Corporation Ad Valorem Property Tax First Mortgage Bonds 2012	<u>431,000</u>	3/28/2012	12/31/2025
Total of annual lease payments		<u>\$ 1,406,432</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	QZAB Update Technology at Franklin County High School	\$ 1,730,000	\$ 205,275
General obligation bonds	Ad Valorem Property Tax First Mortgage Bonds Series 2012; Mt. Carmel/Laurel School Geo-Thermal Project	3,330,000	352,390
Notes and loans payable	Common School Loan A0474 Brookville Middle School/Brookville Elementary School	2,334,500	252,770
Notes and loans payable	Common School Loan A1489 Technology Loan	<u>9,982</u>	<u>10,031</u>
Totals		<u>\$ 7,404,482</u>	<u>\$ 820,466</u>

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FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 12,042
Buildings	38,280,641
Improvements other than buildings	1,019,137
Machinery, equipment, and vehicles	10,854,707
Total capital assets	\$ 50,166,527

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE FRANKLIN COUNTY COMMUNITY  
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Franklin County Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, and 2014-005 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast SY 12-13			2012-2013	\$ 99,600	\$ -
School Breakfast SY 13-14			2013-2014	-	96,752
National School Lunch Program	Indiana Department of Education	10.555			
School Lunch SY 12-13			2012-2013	574,304	-
School Lunch SY 13-14			2013-2014	-	593,031
Total - Child Nutrition Cluster				<u>673,904</u>	<u>689,783</u>
Total - Department of Agriculture				<u>673,904</u>	<u>689,783</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027			
Special Education FY2011			14211-13-PN01	46,222	
Special Education FY2012			14212-013-PN01	368,598	46,801
Special Education FY2013			14213-013-PN01	216,434	482,480
Special Education FY2014			14214-013-PN01	-	169,524
Special Education Improvement			14211-013-PN01	70,000	
Federal Technical Assistance Grant Part B			99914-0-PN01	-	5,525
Total - Special Education				<u>701,254</u>	<u>704,330</u>
Special Education_Preschool Grants					
Special Education FY2012 Preschool	Indiana Department of Education	84.173	45712-013-PN01	20,718	
Special Education FY2013 Preschool			45713-013-PN01	-	19,711
Special Education FY2014 Preschool			45714-013-PN01	-	19,515
Total - Special Education Preschool				<u>20,718</u>	<u>39,226</u>
Total - Special Education Cluster (IDEA)				<u>721,972</u>	<u>743,556</u>
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
SY 2011-12 Title I Basic Grant			12-2475	6,782	-
SY 2012-13 Title I Basic Grant			13-2475	256,193	160,068
SY 2013-14 Title I Basic Grant			14-2475	-	322,132
Title I School Improvement 2012-13			2012-13	91,459	70,057
Total - Title I, Part A Cluster				<u>354,434</u>	<u>552,257</u>
Improving Teacher Quality State Grants					
2011-20113 Title II Part A	Indiana Department of Education	84.367	12-2475	56,223	10,353
2012-2014 Title II Part A			13-2475	18,823	89,403
2013-2015 Title II Part A			14-2475	-	48,245
Total - Improving Teacher Quality State Grants				<u>75,046</u>	<u>148,001</u>
Education Jobs Fund					
	Indiana Department of Education	84.410	7000S410A100015	116,665	-
Total - Department of Education				<u>1,268,117</u>	<u>1,443,814</u>
Total federal awards expended				<u>\$ 1,942,021</u>	<u>\$ 2,133,597</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2 Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 78,137	\$ 72,648

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash and investment and receipts. The School Corporation Treasurer is primarily responsible for issuing receipts, depositing receipts, and reconciling the funds ledger to the depository balance. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). After the School Corporation Treasurer prepares the SEFA, there was no control in place to ensure that the prepared SEFA was complete and accurate.

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. The figures presented for audit for CFDA # 10.555, National School Lunch Program, were understated in the amount of \$16,581.
2. The figures presented for audit for CFDA # 84.027, Special Education\_Grants to States, were understated in the amount of \$1,283,372.
3. The figures presented for audit for CFDA# 84.173, Special Education\_Preschool Grants, were understated in the amount of \$20,718.
4. The figures presented for audit for CFDA # 84.010, Title I Grants to Local Educational Agencies, were understated in the amount of \$69,521.
5. The figures presented for audit for CFDA # 84.367, Improving Teacher Quality State Grants, were understated in the amount of \$55,364.
6. The figures presented for audit for CFDA # 84.410, Education Jobs Fund, were understated in the amount of \$116,665.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2014-003 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Reporting, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

*Cash Management*

The claims for reimbursement were prepared by the Food Service Director. The Food Service Director is also responsible for monitoring the cash balance of the School Lunch fund for compliance with Cash Management requirements. There was no oversight, review, or approval process to ensure compliance with Cash Management requirements.

*Eligibility*

The free or reduced price lunch applications were reviewed by one person at each building. There was no control in place, such as an oversight, review, or approval process to ensure that the eligibility determination was correct.

*Reporting*

The claims for reimbursement reports, the annual financial reports, and the verification summary reports were prepared and submitted by the Food Service Director. There was no control in place to ensure reports were accurate prior to submission.

*Program Income*

The School Board approved meal prices; however, there was no control in place to ensure that meal prices approved were being correctly charged by the individual schools.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

The free and reduced price lunch applications were verified by the Food Service Director. There was no control in place to ensure that the verification of free and reduced price applications was properly completed.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.



FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2014-004- INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14211-13-PN01, 14212-013-PN01,  
14213-013-PN01, 14214-013-PN01,  
99914-0-PN01, 45712-013-PN01,  
45713-013-PN01, 45714-013-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Level of Effort.

The School Corporation designated a fiscal agent to receive and manage the funding of the Special Education programs. We noted the following deficiencies in the internal control system:

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles:*

The fiscal agent has one employee primarily responsible for processing payroll. There was no control in place to ensure that only employees performing Special Education activities were paid from the program.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Level of Effort*

The School Corporation Treasurer prepares and submits maintenance of effort calculations to the fiscal agent. There was no control in place to ensure that the maintenance of effort calculations were accurate.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Test and Provisions compliance requirements for Paid Lunch Equity.

The annual calculation for paid lunch equity was prepared by the Food Service Director. There was no control in place to ensure the calculation was accurate.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not retain the Paid Lunch Equity calculations for the fiscal years ended June 30, 2013 and 2014, to demonstrate compliance with paid lunch equity requirements.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

7 CFR 210.14(e) states:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(6) Records to document compliance with the requirements in §210.14(e) . . ."

7 CFR 220.7(e)(13) states:

"Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for resolution of the issues raised by the audit;"

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above that has a direct and material effect to the program.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



# Franklin County Community School Corporation

225 E. 10<sup>TH</sup> Street • Brookville, Indiana 47012

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Ms. Tammy Chavis, Assistant Superintendent

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Mr. Kim Simonson ..... Member

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-001 Internal Controls Over Financial Transactions and Reporting***

Contact Person Responsible for Corrective Action: Sharon A. Pohlman  
Contact Phone Number: 765-647-4128

#### Description of Corrective Action Plan:

1. The Payroll/Benefits Coordinator shall receipt all incoming checks, cash, processed ACH transactions, and direct deposits.
2. The Treasurer shall deposit funds into the appropriate bank.
3. The Accounts Payable/Purchasing Coordinator shall enter the receipts into the Komputrol System.
4. The Treasurer shall reconcile the bank(s) at the end of each month.

Anticipated Completion Date: January 12, 2016

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer

(Title)

\_\_\_\_\_  
February 15, 2016

(Date)

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## CORRECTIVE ACTION PLAN

### ***FINDING 2014-002 Preparation of the Schedule of Expenditures of Federal Awards***

Contact Person Responsible for Corrective Action: Sharon A. Pohlman  
Contact Phone Number: 765-647-4128

#### Description of Corrective Action Plan:

Audit adjustments were proposed, accepted by the School, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

In the future the Treasurer will enter the financial information to SEFA, using reports from Union County/College Corner Joint School District and other financial reports. The Treasurer will then print the reports from SEFA and give the reports and supporting documentation to the Payroll/Benefits Coordinator to review. If everything is correct the Payroll/Benefits Coordinator will sign to attest to that fact.

Anticipated Completion Date: January 1, 2016

Sharon A. Pohlman  
(Signature)

\_\_\_\_\_  
Treasurer  
(Title)

\_\_\_\_\_  
February 15, 2016  
(Date)

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## CORRECTIVE ACTION PLAN

### ***FINDING 2014-003 Internal Control Over Child Nutrition Cluster***

Contact Person Responsible for Corrective Action: Sharon A. Pohlman and Courtney Halloran  
Contact Phone Number: 765-647-4128 / 765-647-4960

Description of Corrective Action Plan:

#### **Cash Management:**

- a. In the event that there is more than a three-month average of expenditures in the School Lunch Account the following will take place:
  - 1. The Food Service Director will review the School Lunch account on a monthly basis.
  - 2. In the event there is a balance of more than a three-month average of expenditures, the Director of Food Services will contact the Treasurer and the Superintendent with this information.
  - 3. There will be a concerted effort to replace out dated Food Service equipment with this balance instead of using Capital Project Funds.

#### **Eligibility:**

- a. Free and Reduced applications will be received and reviewed by the cashier/secretary at each building.
- b. The applications will then be sent to the Food Service Director to be reviewed and approved ensure that the eligibility determination was correct for each application.

#### **Reporting:**

- a. The claims for reimbursements, annual financial reports, and verification reports will be completed and submitted by the Food Service Director.
- b. The monthly reimbursement claims, annual financial reports, and verification reports will then be reviewed by the School Treasurer to ensure that the reports are correct. If there are discrepancies between what is submitted, and what is correct, the Food Service Director will edit the previous submission. Then, the edited submission will be reviewed again by the School Treasurer.

#### **Program Income:**

- a. After the school board approves meal prices, Cafeteria Managers will review and ensure that the correct prices are being charged by their school. The Cafeteria Managers will sign off on the correct prices being charged. Then submit documentation to the Food Service Director.
- b. The Food Service Director will review and sign each building's price implementation and charges documentation and will keep on file.
- c. This will take place at the beginning of each school year.

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**Special Provisions:**

- a. The Food Service Director will verify the free and reduced applications.
- b. The Verification Summary Report will be submitted to the School Treasurer to ensure that the verification process was properly completed.
- c. This will take place each December.

Anticipated Completion Date: February 9, 2016

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer  
(Title)

\_\_\_\_\_  
February 15, 2016  
(Date)



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## CORRECTIVE ACTION PLAN

### ***FINDING 2014-004 Internal Control Over Special Education Cluster (IDEA)***

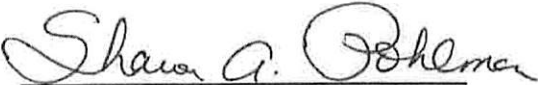
Contact Person Responsible for Corrective Action: Sharon A. Pohlman  
Contact Phone Number: 765-647-4128

#### Description of Corrective Action Plan:

The Treasurer at Union County/College Corner Special Education will verify and sign off on any payroll reports generated for Franklin County Community School Corporation's payroll that is paid by grants for which UC/CC is the LEA.

The Treasurer at Franklin County Community School Corporation will complete the annual Maintenance of Effort reports as they deal with the Special Education Grants coming through Union County/College Corner. The Superintendent of FCCSC will verify and sign an attestation before it is forwarded to Liza Bates at Union County/College Corner Joint School District.

Anticipated Completion Date: January 1, 2016

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer  
(Title)

\_\_\_\_\_  
February 15, 2016  
(Date)

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CORRECTIVE ACTION PLAN

**FINDING 2014-005 Special Tests and Provisions**

Contact Person Responsible for Corrective Action: Courtney Halloran  
Contact Phone Number: 765-647-6040

Description of Corrective Action Plan:

The Paid Lunch Equity is to be prepared by the Food Service Director. The Food Service Director shall calculate lunch price increase requirement and non-Federal source contributions to meet the Healthy, Hunger-Free Kids Act of 2010. Paid Lunch Equity calculation shall be completed annually.

- a. Using the total number of paid lunches claimed for the month of October of the previous school year, at each different school, the Food Service Director will determine the average price of paid lunches.
- b. Food Service Director shall calculate and compare the state reimbursement difference to the paid lunch prices.
- c. These calculations will be reviewed by the Food Service Director, and then reviewed by the School Treasurer. Then will be kept on record.

These tools and procedures will be utilized to determine the upcoming school year's lunch prices, to be approved by the school board, and ensured by cafeteria Cashiers, Managers, and the Food Service Director that they are implemented in each school.

Anticipated Completion Date: February 9, 2016

*Shawn A. Bohmer*

(Signature)

Treasurer

(Title)

February 15, 2016

(Date)

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#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.